

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Number: **201638026**
Release Date: 9/16/2016

Date: June 22, 2016

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

X = Scholarship Program
Y = Related For-profit
z = Amount

UIL: 4945.04-04

Dear _____ :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program called X.

You indicate that the purpose of X is to provide a one-time scholarship to high school seniors who make a positive difference in their schools and/or local communities by volunteering and who exemplify social responsibility and civic engagement. One recipient will be selected from each participating high school and will receive a scholarship in the amount of z. There are currently seven participating high schools.

The applicants must meet the following eligibility criteria: (a) complete a minimum of 50 hours of volunteer services (extra-curricular) during their senior year; (b) have a GPA of 2.5 or higher on a 4.0 scale; and (c) submit the complete application with certified supporting material by April 15.

Family members of employees or directors of Y or any Y affiliate business are not eligible.

The application should include (a) personal information, (b) personal letter, (c) two letters of recommendation, and (d) official transcript from high school.

The recipients are selected by your director in consultation with schools' counseling staff and Y's senior management. X is only publicized through participating high schools' counseling offices and advisory staff.

The scholarships are non-renewable and do not require reporting. However, the recipient must sign a scholarship acceptance agreement that they understand and agree to comply with the specified criteria in the agreement. Scholarships will be made by checks and payable to the students and their post-secondary institutions.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements